

## REPORT OF THE COMMITTEE ON AUDIT

April 10, 2001

The Honorable,  
The Board of Commissioners of Cook County

### ATTENDANCE

Present: Chairman Daley, Vice Chairman Goslin, Commissioners Butler, Hansen and Lechowicz (5)

Absent: None (0)

Ex Officio  
Members: Laura A. Burman, County Auditor (1)

Absent: Thomas Glaser, Chief Financial Officer (1)

Also  
Present: Commissioner Collins; Gary Fink, Principal – Arthur Andersen; Alvin Holley, Chief Financial Officer-Bureau of Health Services; John J. Houlihan, Superintendent-Veterans' Assistance Commission of Cook County; Linda Gillie Batchelor, Business Manager-Cook County Recorder of Deeds Office; Darlena Williams-Burnett, Deputy Recorder-Cook County Recorder of Deeds Office; Cathy Maras-O'Leary, Chief Information Officer-Bureau of Information Technology and Automation; Marlene Dantino, Business Manager-Highway Department; Donna Dunnings, Deputy Chief Financial Officer-Bureau of Finance; Patrick Driscoll, Chief of the Civil Actions Bureau-State's Attorney's Office; and Sandra K. Williams, Secretary to the Board.

Court  
Reporter: Tony Lisanti, C.S.R.

Ladies and Gentlemen:

Your Audit Committee of the Board of Commissioners of Cook County met pursuant to notice on Tuesday, April 10, 2001 at the hour of 2:00 P.M. in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Your Committee has considered the following items and upon adoption of this report, the recommendations are as follows:

Following the call of the meeting, Chairman Daley recessed the meeting until 2:30 p.m.

The Chairman reconvened the meeting and requested that copies of the responses to questions submitted to various departments and elected officials on the agenda items be placed in the record as attachments to the Committee's report. Chairman Daley then recognized Commissioner Hansen.

1. Institute of Forensic Medicine - Fee, Fax Cremation Permit, Imprest Cash and Estate Accounts Financial Report for the year ended November 30, 1999, by Laura A. Burman, County Auditor, dated November 30, 2000.

**Submitted to the Audit Committee on December 27, 2000.**

2. County Clerk - Redemption Fund and Fee Account Financial Report for the year ended November 30, 1999, by Laura A. Burman, County Auditor, dated November 20, 2000.

**Submitted to the Audit Committee on December 27, 2000.**

3. 239537 BUREAU OF FINANCE, by Thomas J. Glaser, Chief Financial Officer. Transmitting a Communication dated, October 27, 2000:

SUBJECT: SINGLE AUDIT REPORT FOR YEAR ENDING NOVEMBER 30, 1999

Attached is a copy of Cook County's Single Audit Report for year ending November 30, 1999, as prepared by Washington, Pittman & McKeever, LLC. I respectfully request that the report be referred to the Audit Committee for further discussion.

**Referred to the Audit Committee on November 2, 2000.**

**Commissioner Hansen moved to receive and file Item Nos. 1, 2, and 3-(#239537), seconded by Vice Chairman Goslin. The motion carried.**

The Chairman then proceeded to Item No. 4.

4. 239538 BUREAU OF FINANCE, by Thomas J. Glaser, Chief Financial Officer. Transmitting a Communication dated, October 3, 2000:

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 1999

Enclosed is a copy of Cook County's Fiscal Year 1999 Comprehensive Annual Financial Report (CAFR) prepared by Arthur Andersen LLP. I am hereby requesting the opportunity to discuss this report with the ~~Finance~~ Audit Committee of the Board of Commissioners.

Also, included for your information, is an executive summary of the County's revenues, expenditures and fund balances as per the figures obtained from the FY99 CAFR.

**Referred to the Audit Committee on November 2, 2000.**

In response to Commissioner Hansen's question on where the Forest Preserve District's financial data is located in the report, Laura Burman stated that the District's financial information is presented on page 60, under a separate special revenue fund tab, in the middle column referenced as "Forest Preserve District-General."

Noting his concern regarding the District's past erroneous budget figures and the actual deficit figures recently disclosed to the Board, Commissioner Hansen asked if the report's financial information concerning the District was accurate. Laura Burman stated that the information presented on page 49 does include the District's fiscal year 1998 financial statements, but differs slightly from the recently disclosed figures due to the fact that the District's fiscal year differs from the County's fiscal year. She

noted the figures in the County's CAFR for the year ended November 30, 1999 do not include the District's fiscal year 1999 financial statements.

Chairman Daley called on Gary Fink of Arthur Andersen to explain the financial information presented in the report relating to the Forest Preserve District.

Gary Fink stated that the report (or CAFR) is based on financial statements for the County's fiscal year ended November 30, 1999 (December 1, 1998 to November 30, 1999) and includes the Forest Preserve District's audited financial statements, supplied to Arthur Andersen, for the year ended December 31, 1998 (January 1, 1998 to December 31, 1998) as disclosed in the footnotes on page 49 of the report. He stated since the District's 1998 fiscal year end falls within the 1999 fiscal year of the County, the audit covers the 1999 County combined financial statements, which includes 1998 financial statements for the Forest Preserve District.

In response to Commissioner Hansen's question regarding how the District's information is shown in the table on page 60, Gary Fink stated the general fund of the District, as well as the special revenue funds, are shown in the County's combined financial statement. The capital project funds of the District, as well as the debt service funds, are presented and combined (based on GASB's concept of blending) with the County's capital projects in total.

In response to Commissioner Hansen's question on page 49 regarding what funds of the District are included in the presented material under item 12, Gary Fink stated that the District's general fund accumulated deficit for the year ended December 31, 1998 is shown as \$10.2 million; and, the capital projects fund accumulated deficit for the same period is shown as \$800 thousand. Mr. Fink noted the District's deficit for the year ended December 31, 1999 will be disclosed in the County's CAFR for the year ended November 30, 2000.

In response to Commissioner Lechowicz's question regarding a target date for the Forest Preserve District's FY2000 audit, Mr. Fink stated he did not know since Arthur Andersen was not involved in that audit.

On the question, Chairman Daley responded that Pandolfi, Topolski and Weiss & Co. was doing the audit and stated that the target completion date is June, 2001.

**Commissioner Hansen moved to receive and file Item No. 4-(#239538), seconded by Vice Chairman Goslin. The motion carried.**

The Chairman then proceeded to Item No. 5.

5. 240683 BUREAU OF HEALTH SERVICES, by Ruth M. Rothstein, Chief, transmitting a Communication, dated December 13, 2000.

This letter is to formally request that the Bureau of Health Services Audited Financial Statements, related Management Letter and request for Bad Debt write-off for fiscal year 1999 be forwarded to the Audit Committee of the Board of Commissioners for discussion.

**Referred to the Audit Committee on January 4, 2001.**

In response to Commissioner Hansen's question on page 1 regarding why a past recommendation to increase the \$250 purchasing limit for competitive bids had not been presented to the Board as of yet,

Chairman Daley noted that Pat Shymanski is working on the proposal and should be submitting it to the Board for consideration in the near future.

In response to Commissioner Hansen's question on page 2 regarding why the past recommendation to complete the development of a corporate compliance program had not been done, Alvin Holley stated that David Carvalho, the Compliance Officer for the Bureau of Health Services, is working on the recommendation.

In response to Commissioner Lechowicz's question regarding the penalties for not having a corporate compliance program in place, Alvin Holley stated without a compliance program in place penalties can run from \$25 to \$50 thousand dollars for each violation.

Commissioner Lechowicz suggested the Chairman send a letter to David Carvalho requesting a status report and a target date for implementation of the Bureau of Health Services's corporate compliance program.

In response to Commissioner Hansen's question on page 4 regarding a target date for correcting errors on Medicare claims and eligibility records, Alvin Holley stated that the Bureau has notified the Medicare program fiscal intermediary, AdminaStar, of the errors and has requested they correct their software. Mr. Holley stated the Bureau currently is working with the intermediary to correct errors on a claim by claim basis, but has set a 90-day target date for AdminaStar to resolve their software problem.

Mr. Holley suggested that the Bureau might have to seek legal action if AdminaStar has not corrected the problem by the 90-day target date. Mr. Holley stated that these errors should not occur and did not in the past when BlueCross/BlueShield was the Medicare program's fiscal intermediary.

Commissioner Lechowicz requested further information on who AdminaStar is and what duties they perform for the Medicare program relating to the Bureau's claim process.

In response to Commissioner Hansen's question on page 5 regarding how the depreciation expense was derived, Alvin Holley stated that the \$23.2 million depreciation expense relates to the total amount of current year in use assets and is calculated using the historical costs of the assets depreciated over an estimated useful life period. He noted buildings (property) are being depreciated over a forty year period using historical costs (noted as \$237,824,940) and building improvements (equipment) are being depreciated over a ten to twenty year period (noted as \$143,172,764), or a total value or accumulated depreciation of \$385,410,554.

In response to Commissioner Hansen's question regarding the relationship between the depreciation expense and the accumulated depreciation, Alvin Holley stated that there is not a direct relationship since the depreciation expense is the total amount based on the current year in use assets depreciated over an estimated useful life and the accumulated depreciation is the total value of all assets depreciated for prior years.

In response to Commissioner Hansen's question on page 19 regarding what caused the percentage difference in the County pension funded ratio from 1996 to 1998 and what the Unfunded Actuarial Accrued Liability (UAAL) percentages mean, Alvin Holley stated he would get an explanation of the information from the County Pension Board and submit their response to the Chairman for the members review, since the information in the report is put together by the County Pension Board, not the Bureau.

Chairman Daley stated in the future when information is contained in a report but not provided by the Auditor, a footnote should be provided on where and whom the information came from. On the same

subject, Commissioner Lechowicz suggested that two items should also be reflected in future reports covering pension plan information: 1) an explanation of any change in the county pension provisions authorized by the General Assembly, including the timeframe and the number of employees who took advantage of the change; and 2) an explanation of how these factors impacted the amount of money in the fund.

Commissioner Butler commented that the percentage difference shown on page 19 of the report may reflect the impact of the County's 1997 early retirement incentive. He also suggested that the name of the auditing firm or individual who prepares information contained in any report be provided in the future.

**Commissioner Hansen moved to receive and file Item No. 5-(#240683), seconded by Commissioner Lechowicz. The motion carried.**

The Chairman then proceeded to Item No. 6.

6. 242358 BUREAU OF FINANCE, by Thomas J. Glaser, Chief Financial Officer. Transmitting a Communication, dated March 19, 2001, from Thomas J. Glaser, Chief Financial Officer, Bureau of Finance.

Subject: Cook County Illinois-Memorandum on Internal Control Structure for  
Fiscal Year Ending November 30, 1999.

Submitting a copy of the County's "Memorandum on Internal Control" prepared by Arthur Andersen for the period ending November 30, 1999. I am hereby requesting that this item be referred to the Audit Committee of the Board of Commissioners for further discussion.

**Referred to the Audit Committee on March 20, 2001.**

In response to Commissioner Hansen's question on page 17, No. 2, regarding an explanation of the Veterans' Assistance Commission's management response, John Houlihan stated that under the Military Veterans Assistance Act (330 ILCS 45) the Commission is authorized to operate in Cook County and is permitted to receive funding assistance from the County Board. However, he stated under the statute the Superintendent and its employees are technically not considered county employees but rather are employees of the Veterans' Assistance Commission. Mr. Houlihan explained that the statute does permit the county to budget and fund the Commission's operations and give its employees any benefits it agrees to provide. Currently, Mr. Houlihan stated the Cook County Board treats the Commission's employees like other county employees and provides them with the same benefits.

In response to Commissioner Hansen's question on page 20 regarding the status of fixing system malfunctions and the target date for completion, Linda Gillie Batchelor stated that the Recorder's Office is currently finalizing the review of an upgrade assessment report from Unisys (the system vendor) and plans on sending the report by the end of next week to the Bureau of Information Technology and Automation for their review and recommendations.

In response to Commissioner Hansen's question regarding if the problem can be resolved in the near future or is it an inoperable system issue, Cathy Maras O'Leary stated that the current system was not configured adequately and the requirements were not defined thoroughly enough to provide the office with the hardware and software needed to integrate its Accounting and Cashiering systems. She noted she had not reviewed the report from Unisys, but believed an RFP on the future needs of the Recorder's office may need to go out to resolve the problem.

In response to Commissioner Hansen's inquiry for further history on the system, its problems and the office's future needs, Darlena Williams-Burnett stated that the RFP went out in 1998 and three vendors responded. Unisys won the bid. She stated that part of the problem was with the RFP, which by the time it came back for bid and the initial installation of the system was delivered, the hardware and software were already outdated. She explained that from the onset the office has not been confident with the integrity of system and noted that the Board was informed by the Recorder's office of the problems in integrating the cashiering data to the accounting system, along with the various temporary solutions that were attempted.

In response to Commissioner Hansen's question regarding when the review will go to the Bureau of Information Technology and Automation, Ms. Williams-Burnett stated that the Recorder's office expects to get the Unisys report to Cathy Maras-O'Leary within the week for her committee's review and will continue to work with the Bureau on their recommendations. She concluded that the Recorder's office currently does not wish to upgrade the Unisys system, since it has not worked up to this point, and hope to put out an RFP covering the committee's recommendation that would allow the office to move to a Windows based system environment with the ability to interface the cashiering and accounting systems.

In response to Commissioner Hansen's question regarding if the county has a contract performance bond on the supplier, Pat Driscoll stated that no such bond is required on purchasing contracts that do not involve construction, but could in the future be written into the purchasing specifications and vendors contract.

Chairman Daley asked when the Recorder plans to submit a plan and RFP to the Board, Ms. Williams-Burnett stated the office first needs the requirements and recommendations from Cathy Maras-O'Leary, but would like to get this to the Board as soon as possible.

Cathy Maras-O'Leary stated she would start writing the RFP on the hardware and software together, since the requirements of the Recorder's Office have not changed drastically and would work with Darlena Williams-Burnett and the State's Attorney's Office to modify and incorporate any additional recommendations.

In response to Commissioner Lechowicz's question on whether or not the County's RFPs include a provision for errors and omissions, Patrick Driscoll stated he would look into this and get back to the committee with a recommendation on language that could be included similar to a warranty clause provision.

Commissioner Butler asked if Unisys's proposal to upgrade the system has been scrapped by the Recorder's Office, since an RFP is being drafted. Darlena Williams-Burnett responded that the current vendor continues to evaluate the problems with their system and has made recommendations that are being reviewed. However, she stated since the office has no faith in the integrity of the information in the current system it favors the Board's approval of an RFP for a new system.

**Commissioner Hansen moved to receive and file Item No. 6-(#242358), seconded by Commissioner Lechowicz. The motion carried.**

The Chairman then proceeded to Item No. 7.

7. County Comptroller – Wage Deduction Garnishment Escrow Fund Financial Report for the year ended November 30, 1999, by Laura A. Burman, County Auditor, dated January 18, 2001.

**Submitted to the Audit Committee on March 12, 2001.**

**Commissioner Hansen moved to receive and file Item No. 7, seconded by Commissioner Butler. The motion carried.**

The Chairman then proceeded to Item No. 8.

8. Cook County Department of Highways – Miscellaneous Revenue Account Financial Report for the year ended November 30, 1999, by Laura A. Burman, County Auditor, dated February 13, 2001.

**Submitted to the Audit Committee on March 12, 2001.**

In response to Commissioner Hansen's question on page 5 regarding the target date for completion of the fee ordinance, Marlene Dantino stated the department does not yet have a target date for completion. Ms. Dantino stated that the fee ordinance was submitted to the Board for approval, but was withdrawn and is currently under review.

Commissioner Hansen requested a status report be submitted to the Chair from the Highway Superintendent.

**Commissioner Hansen moved to receive and file Item No. 8, seconded by Commissioner Butler. The motion carried.**

The Chairman then proceeded to Item No. 9.

9. Social Casework Services Department – Social Services Fees and Restitution Trust Funds Financial Report for the year ended November 30, 1999, by Laura A. Burman, County Auditor, dated February 26, 2001.

**Submitted to the Audit Committee on March 12, 2001.**

**Commissioner Butler moved to receive and file Item No. 9, seconded by Vice Chairman Goslin. The motion carried.**

The Chairman then proceeded to Item No. 10.

10. Cook County – 1999 Property Tax Extension and Breakdown Report for Fiscal Year 1999, by Laura A. Burman, County Auditor, dated February 6, 2001.

**Submitted to the Audit Committee on March 12, 2001.**

Commissioner Hansen made the observation that the figure on taxes due to the County in redevelopment districts has grown from \$21,816,159.12 in 1997 to \$33,356,675.38 in 1999 and noted this should be watched since these funds represent a loss to the county's operating fund.

**Commissioner Butler moved to receive and file Item No. 10, seconded by Vice Chairman Goslin. The motion carried.**

The Chairman then proceeded to Item No. 11.

11. Office of the State's Attorney - State Narcotics Forfeiture Fund Audit for year ended November 30, 1999, prepared by Bansley and Kiener, LLP, dated January 3, 2001, and submitted by Richard A. Devine, Cook County State's Attorney.

**Submitted to the Audit Committee on March 21, 2001.**

12. Office of the State's Attorney - Narcotics Forfeiture Fund Audit for year ended November 30, 1999, prepared by Bansley and Kiener, LLP, dated January 3, 2001, and submitted by Richard A. Devine, Cook County State's Attorney.

**Submitted to the Audit Committee on March 21, 2001.**

13. Cook County Sheriff's Police Department – Software Licensing Compliance Review as of December 14, 2000, by Laura A. Burman, County Auditor, dated March 30, 2001.

**Submitted to the Audit Committee on March 30, 2001.**

**Commissioner Hansen moved to receive and file Item Nos. 11, 12 and 13, seconded by Commissioner Butler. The motion carried.**

**Commissioner Hansen moved to adjourn, seconded by Vice Chairman Goslin. The motion carried and the meeting was adjourned.**

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John P. Daley  
Chairman, Audit Committee

Attest: \_\_\_\_\_  
Sandra K. Williams  
Secretary to the Board

A transcript for this meeting is available in the Office of the Secretary to the Board, 118 N. Clark Street Room 567, Chicago, Illinois 60602.